

## **Other Factors Affecting Options for the TDH Hospitals**

In addition to the criteria described in the preceding methodology section, the TDH Leadership and steering committee provided additional guiding principles that included:

- The plan must provide for the needs of South Texas.
- The plan must address continuity of employment opportunities for hospital staff.
- There must be continuity of both inpatient and outpatient TB related services including voluntary admission and court-ordered quarantine, and multidrug resistant patients.
- Continuation of key TB-related services is required including provision of training, specialty consultation and clinical expertise, research, laboratory support, and other diagnostic and interventional radiology services.
- Partnerships with other public entities should be explored.
- Consolidation of state and hospital labs should be explored.
- Services currently delivered by the TDH hospitals should be considered in all evaluations and options for more cost efficient means.
- A new Medicaid TB-infected eligibility class should be examined.
- Planning should consider clinical treatment strategies focusing on more sophisticated outpatient treatment services relating to MDRTB and other TB cases.

Based on the criteria described in the preceding methodology section and the above guidelines, there are numerous benefits which must be weighed against costs. To test these benefits against costs, six strategic options are presented with accompanying findings for each of the four categories of criteria. For each strategic option, revenue and cost projections including major assumptions are presented to illustrate general fund requirements estimated to be necessary to implement each specific option.

### ***Disproportionate Share Reimbursement***

One of the more significant financial factors affecting viable options is the disproportionate share hospital funds (DISPRO) that are generated to the general fund of the State from the TDH hospitals. Federal law provides that special payments are available to hospitals that serve a large number of low-income patients. These funds are generally known as DISPRO funds. As previously noted, in FY 97 TCID and STH required \$23.9 million State funds for their operating budgets but generated \$25 million (approximately \$16 million federal funds) in DISPRO payments which were transferred to the general revenue fund.

DISPRO differs from all other Medicaid payments because it is not tied directly to services for Medicaid-eligible patients. Hospitals may use DISPRO funds to pay for uncompensated care for indigent or low-pay patients. A 1991 federal law capped Texas' DISPRO funding at \$1.5 billion. In 1993, Texas established new hospital qualifying standards for DISPRO and implemented new limits on the size of DISPRO payments to all participating hospitals, consistent with federal guidelines.

Additionally, the 1997 federal balanced budget act reduced the amount of DISPRO available to state Medicaid programs. Even with these projected reductions, it is estimated that the two TDH hospitals are still projected from 1998-2002 to generate over \$85 million of DISPRO payments to the State, of which an estimated 63% or \$53 million is federal funds. Therefore, options which could cause the State General Fund to forego these federal funds, yet continue to pay for clinical TB and other clinical and support services, must be carefully and thoroughly analyzed.

### ***Clinical Parameters***

The following clinical parameters for on-site facility functions and on-site services were determined by TDH medical staff as necessary for proper treatment and control of TB and are adopted in each of the service options:

#### **On-site facility functions:**

Respiratory isolation rooms, non-isolation rooms, quarantine rooms, entry and perimeter security, domiciliary care rooms, hospice, negative pressure procedure rooms, kitchen/dietary, laundry, outpatient clinic.

#### **On-site services:**

Internal medicine/ID/pulmonary, clinical laboratory, respiratory therapy, basic radiology.

Both options for maintaining hospital services require continuation of clinical laboratory operations. Based on recommendations of the TDH committee on Women's Health Laboratory issues, the following is submitted:

1. Combine the management and administration of the two hospital labs under the TDH Bureau of Laboratories.
2. Reorganize space at both hospitals to meet workload requirements and keep both labs operational.
3. Develop cost-based fees for services, matching the fee requirements for TDH central laboratory operations.
4. Keep the Women's Health Laboratory as a referral lab.
5. Form a cross-functional team to address transition issues to accomplish this consolidation as a phased-in activity.

**Other facility functions and services**

**The following clinical parameters were also set by the TDH medical staff for proper TB treatment and control but could be met with outside contracted providers, (i.e., they do not have to be on-site).**

**Other facility functions:**

**Intensive care unit, angiography, surgery, dental suite.**

**Other services:**

**Thoracic surgery, general surgery, chronic ventilator care, CT, nuclear medicine and ultrasound, and emergency services.**